Civilian Personnel Budgeting

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Budget Review

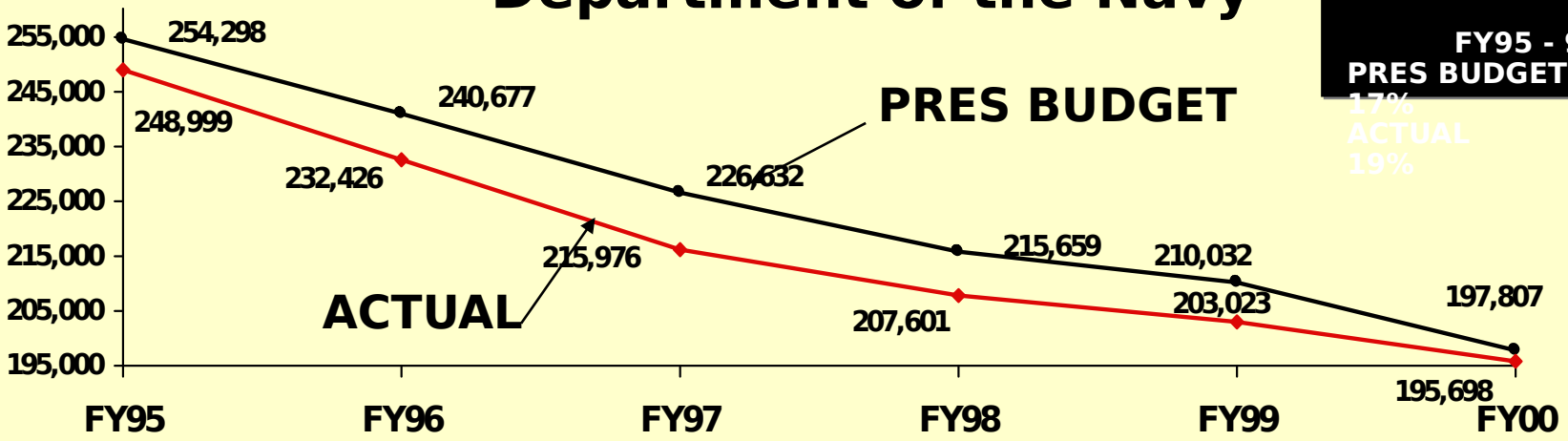
- FY02 DoN review (civpers) targeted
  - Underexecution
  - Strategic Sourcing
  - Pricing
  - NMCI
  - Management Headquarters
  - Other (ex., functional transfers)

CIVPERS EXECUTION

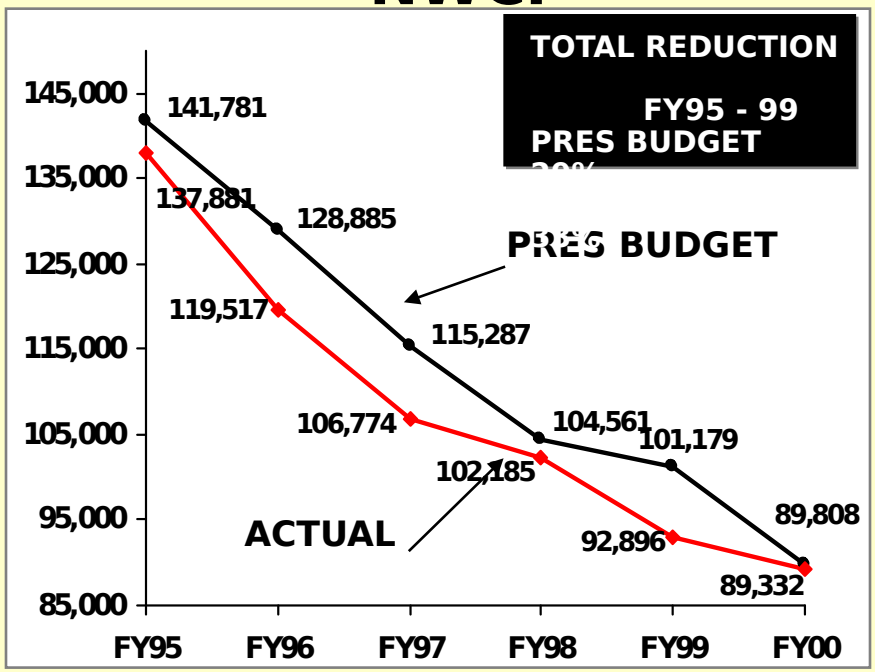
- Issue: execution of civilian personnel end strength (ES) and workyears (WY) below plan
- Recurring problem
- OSD/GAO/Congressional scrutiny
  - GAO regression analysis of on board levels by month since FY95 (adj for seasonal fluctuations) serves as basis for Congressional reductions
- Congressional Reductions
  - FY 1997 NDAA -$44.6M
  - FY 1999 NDAA -$14.3M
  - FY 2000 NDAA -$66M

HISTORICAL EXECUTION

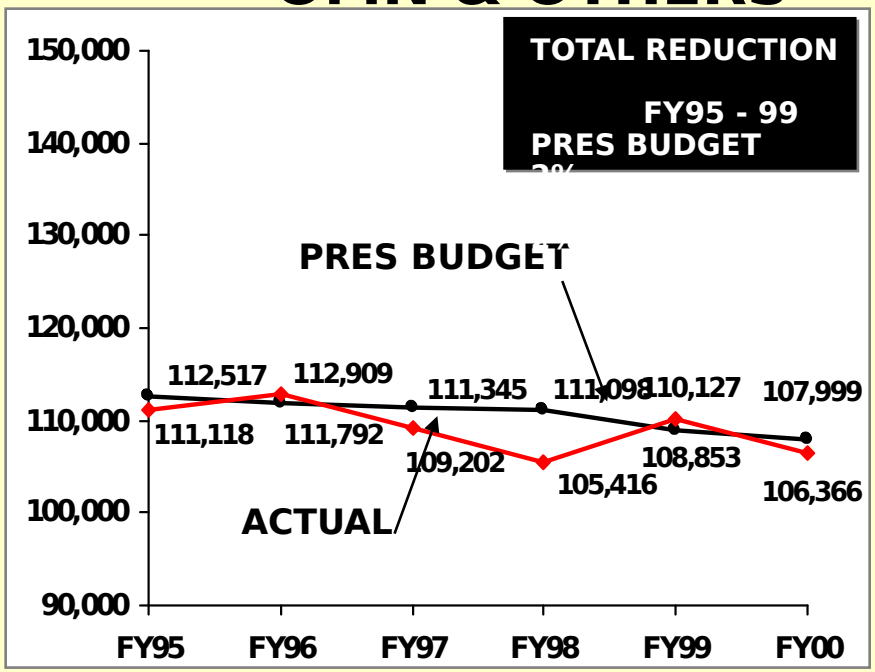
Department of the Navy



NWCF



OMN & OTHERS



CAUSES OF UNDEREXECUTION

- A-76 DRIVEN
  - ELEVATED / ACCELERATED ATTRITION
  - INABILITY TO HIRE TEMPS FOR POSITIONS UNDER STUDY
  - INCREASED CONTRACTING OUT
- FUNCTIONALITY ASSESSMENTS
- BRAC DISRUPTION
- HR REGIONALIZATION
  - PERSONNEL ACTIONS TAKING LONGER
  - LOSSES TO STAFF REGIONAL SERVICE CENTERS
- TRANSFERS OF FUNCTION OCCURRING OUT OF SYNC WITH BUDGET
- NWCF / REIMB. WORKLOAD FLUCTUATIONS
- INSUFFICIENT OR UNCERTAIN FUNDING IN EOB UNITS DUE TO PRICING OR FUNDING FLUCTUATIONS
- DIFFICULTY RECRUITING / HIRING FOR SELECT FUNCTIONS
- FOCUS ON AVOIDING OVER EXECUTION
- CIVILIAN PERSONNEL PROCESSES NOT UNDERSTOOD
- CONSTANT “CHURN” IN WORKFORCE TO FILL VACANCIES (HOLE MOVES)
- UNCERTAINTY OF PERFORMANCE CRITERIA / METRICS (E/S? FTEs? DCPDS?)

Underexecution Adjustments

- BG Memoranda directed conservative budgeting
- FMB summer review process further adjusted estimates based on analysis of
  - Delta between FY00 estimate (FY02 DoN) & April 2000 on-board
  - Average delta of original Pres Bud estimate to actual (FY97-FY99)
  - Credit given for amount claimant reduced themselves

Strategic Sourcing Concept

- Systems Engineering Approach
- Strategic Sourcing is a continuous process
  - Considers a wide range of options including consolidation, restructuring or reengineering of activities, better business management practices and the termination of obsolete services or programs
  - A-76 critical to success
- Consistent with reinvention process in OMB Circular A-76 Supplemental Handbook

Evolution of Strategic Sourcing

- CNA analysis - identified potential savings from outsourcing (April 96)
- POM-98 - outsourcing viewed as mechanism to fund recapitalization efforts (May 96)
- PR-99 - refine POM-98 outsourcing estimates (May 97)
- POM-00 - FY00/01 savings spread to claimants; introduce concept of efficiencies (May 98)

Evolution Cont'd.

- FY00 PB - claimant submission of detailed plan (Feb 99)
- PR-01 - introduce concept of Strategic Sourcing (May 99); SES RII; revisit "wedge" distribution; bottom-up vs. top-down strategy adopted
- FY01 PB - relatively consistent with PR-01 estimates (Feb 00)
- POM-02 – migration of studies from A-76 to Non-A76 initiatives (May 00)
- FY02/03 OSD – maintain POM02 levels (Sep 00)

Current Estimates

FY 2002 OSD/OMB Budget Submission

	FY99/Prior	FY00	FY01	FY02	FY03-05	Total
DoN Positions Studied/to be studied:	33,653	26,510	10,449	6,522	1,829	79,963
A-76	33,653	12,672	1,015	1,015	1,829	50,184
NWCF	0	13,838	9,434	5,507	0	28,779

	FY00	FY01	FY02	FY03	FY04	FY05
DoN Positions to be saved (cumulative):	5,284	11,586	17,737	24,575	28,912	30,624
A-76	4,531	9,187	13,905	19,683	22,929	24,071

	FY99/Prior	FY00	FY01	FY02	FY03	FY04	FY05
DoN Net Savings ($M):	(80)	118	438	726	1,170	1,509	1,672
A-76 ($M)	(71)	51	157	321	563	751	832

NWCF represents

45% of positions to be studied

44% of steady state savings

FY02 DoN Budget Adjustments

- **60/40 Win/Lose Scenario Adjustment**
  - SES RII assumed 30% civpers reduction
  - CNA indicates gov't. will win 50% of all A-76 studies
    - To be conservative, Navy assumed 60%
  - FY01 DoN included undistributed civpers adj. (FY00-FY07) to reflect CNA win/lose assumptions
    - Additive to 30% reduction already included in cl budgets
    - Reduction to be distributed in year of execution based on actual experience
    - Adj necessary to more accurately reflect civilian personnel execution levels and preclude potential OSD/Congressional funding reductions for underexecution (ex. -$66M in FY00)
    - Undistributed adj permits a realistic estimate without prejudging the outcomes of competitions

FY02 DoN Budget Adjustments

- 60/40 Win/Lose Scenario Adjustment Con'td
  - FY02 DoN review
    - FY00 undistributed adj liquidated through actuals update
    - FY01 – FY03 NWCF undistributed adj revised based on updated PB-42 study plans & spread to appropriate business area
      - FY03 straight-lined through FY07
      - FY04-FY07 additional reduction to be distributed in subsequent budget reviews

Methodology for 60/40 adjustment:

$$\left(\frac{\text{Cl budgeted civpers reduction}}{\text{Cl savings assumption (}\sim 30\%\text{)}}\right) \text{ Cl budgeted civpers} \times .40$$

reduction

FY02 DoN Budget Adjustments

- **Positions to be Studied**
  - POM02 included an approved reduction in A-76 positions to be studied
    - NMCI billets
    - Migration to Non-A76 initiatives
  - OSD approved this reduction based on
    - Continued heavy reliance on the A-76 process
    - Commitment to pursue A-76 subsequent to Non-A76 process where appropriate
  - FY02 DoN submission reflected further reduction in positions to be studied for both A-76 and Non-A76
    - Significant and unacceptable risk to program
  - Therefore, claimant estimates forced back to POM02 approved levels (w/corrections for minor POM02 errors)

Strategic Sourcing Budget Concerns

- Program Inconsistency
  - POM to Budget
  - Plan vs. Execution
  - CAMIS/CA Inventory vs. budget exhibits (PB-42)
- Budgeting for Uncertainty
  - Win/lose ratio
  - Study/Transition Costs
- Migration from A-76 to Non-A76 Initiatives
- Articulation of Non-A76 Initiatives
- Military to Civilian Conversion
- Study Delays

Pricing of Civilian Resources

- FMB4 pricing model projects civpers object class data consistent with actual payout rates
- Recommends either work year reduction (under budgeted costs) or funding reduction (over budgeted costs)
- Permits claimants to provide justification for deviation from pricing model projections
  - Ex., change in workforce mix
- Recent OSD focus (PBD 022) on percentage change in other OC-11 variable costs relative to basic compensation

- Civilian personnel estimates reduced to reflect 30 June Congressional report
- Reduction phased according to demand schedule provided by claimant
  - Excluded CTRs, voice services
- Adjustment assumed all impacted personnel will leave the government or fill funded vacancies

Management Headquarters

- Reviewed PB-22 budget exhibit for changes since the FY01 President's Budget
- Analyzed estimates for concurrence with 15% FY 2000 NDAA Congressionally mandated reduction (FY99-FY02)
  - DoN budget currently reflects -6.05%
  - FY01 NDAA allows SecDef to waive up to 7.5% of required 15% reduction; no action taken to date
- Program Element comparison (PB22 exhibit to NBTS; $/ES/FTE)
  - Anticipated as major focus of FY03 DoN review

On-going initiatives

- Review of civpers budget exhibit requirements (see attached)
  - Eliminate duplicate requirements
- Civpers automation
  - CP2/OP08 exhibit
  - Program Budget Information System (PBIS)

On-going initiatives

- CNO chartered Civilian Manpower and Personnel Management Task Force
  - Centralize validation of shore manpower requirements
  - Centralize competency groups for professional development
  - Improve personnel transaction processing
  - Evaluate how to track the product of the plan
  - Three subtask forces
    - Requirements
    - Personnel Management
    - Transaction Processing
  - Task Force to report recommendations in late April/early May

Take Away

- BUDGET CONSERVATIVELY
- Provide detailed justification (ex. Strategic Sourcing, Pricing)
- Continue to provide recommendations to streamline civpers budgeting